Corporate Governance

Basic Policies on Corporate Governance

1. Assurance of transparent and sound management
2. Realization of prompt decision-making and business execution
3. Clarification of accountability
4. Timely, appropriate, and fair disclosure of information

In 2023, the Company transitioned to a Company with a Nominating Committee, etc. Taking the opportunity of this transition to clearly separate the oversight function from execution by management, the Company has strengthened the oversight function of the Board of Directors by having Independent Outside Directors make up its majority. By delegating substantial authority from the Board of Directors to Executive Officers with respect to business execution, the Company accelerates timely decision-making and implementation.

In June 2025, the Board of Directors transitioned to a more compact structure of 11 members, with an increased ratio of Outside Directors and enhanced diversity, aiming to strengthen its monitoring function. To support long-term corporate value creation, the Company expanded its stock compensation system, which has been gradually enhanced since its introduction in 2017, to include Outside Directors. The proportion of stock compensation for Executive Officers was also raised.

Initiatives for Strengthening Corporate Governance

Strengthening of Oversight and Execution Functions

2001
- Established Compensation Committee

2010
- Established Nomination and Compensation Committee

2011
- Instituted the chief officer position and strengthened Group-wide strategies

2012
- Ratio of Outside Directors: 45.5%

2017
- Extended the authority delegated to the Chief Officers to strengthen corporate functions and accelerate prompt decision-making

2019
- To ensure independence and objectivity in the Nomination and Compensation Committee, changed to a four-member structure consisting of three Outside Directors (including chairperson) and one non-executive Inside Director
- Majority of Directors are non-executive
- Corporate Officers entered with one-year mandate contracts to clarify responsibilities and authority

2021
- Ratio of Independent Outside Directors: 41.7%

2022
- Ratio of Independent Outside Directors: 50.0%
- Separated the former Nomination and Compensation Committee into the Nominating Committee and the Compensation Committee

2023
- Transitioned from a Company with Audit & Supervisory Board to a Company with a Nominating Committee, etc.
- Ratio of Independent Outside Directors: 58.3%
- Established the Nominating, Compensation, and Audit committees to each include three Independent Outside Directors (including chairperson) and one Inside Director

2024
- Ratio of Independent Outside Directors: 61.5%

2025
- Reformation of the Audit Committee to comprise only Independent Outside Directors
- Ratio of Independent Outside Directors: 72.7%

Revisions to Remuneration System for Directors and Executive Officers

2017
- Introduced stock compensation system

2019
- Increased the ratio of performance-based remuneration for executive directors.
  Ratio of basic remuneration : bonuses : stock compensation = 5 : 3 : 2

2023
- Set the achievement of EBITDA and engagement score, which are Mid-term Management Plan indicators, as the formula for calculating bonuses for corporate officers on the execution side, and total shareholder return (TSR) comparisons as the formula for calculating stock compensation
- Increased the ratio of performance-based compensation to total compensation

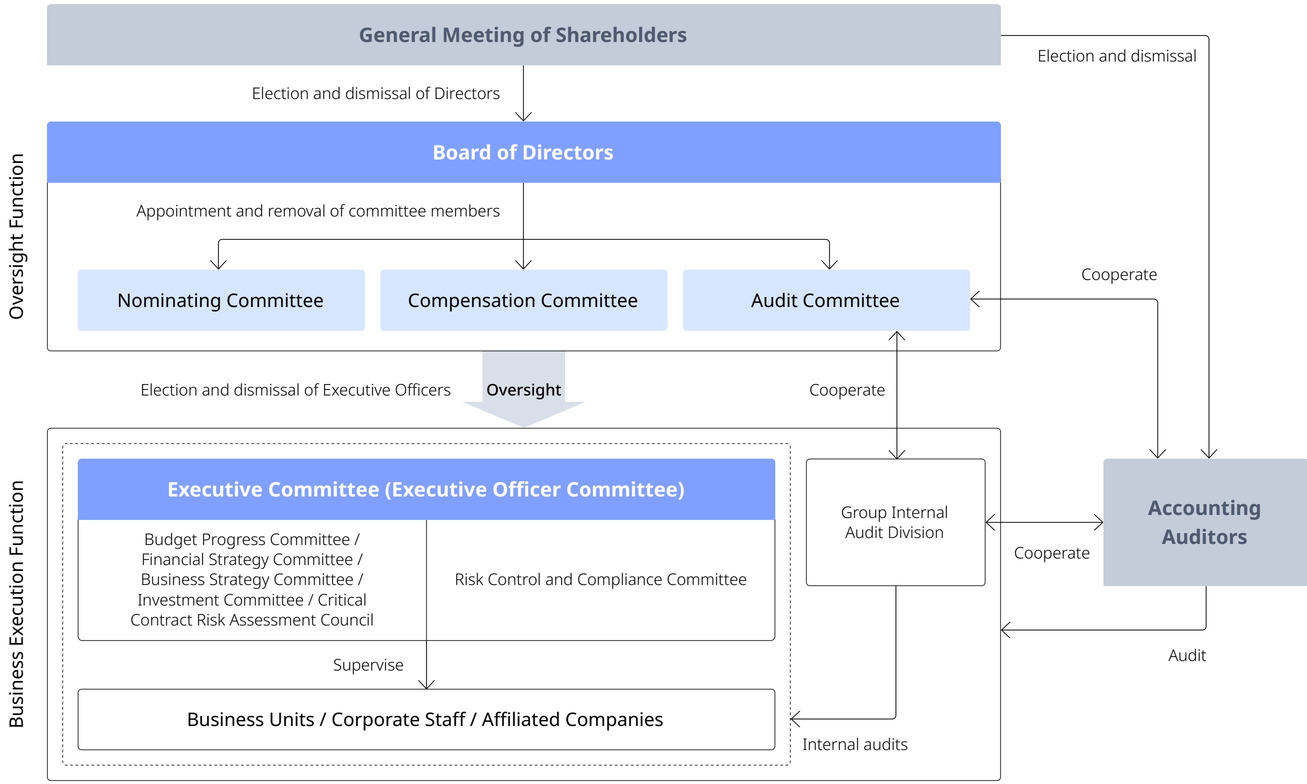
2025
- Introduced stock compensation system for Outside Directors
- Raised the ratio of stock compensation for Executive Officers
  Ratio of basic remuneration : bonuses : stock compensation = 1 : 1 : 1.4 (CEO)

Overview of Corporate Governance System

The Board of Directors is responsible for guiding the direction of management through deliberation of important matters related to the Company's basic management policy and for overseeing the execution of duties by Executive Officers and Directors. From the perspective of ensuring independence, the majority of the Board of Directors comprises Independent Outside Directors, and the Nominating, Compensation, and Audit committees are each chaired by an Independent Outside Director. The primary role of the Chairman of the Board, along with chairing Board meetings, is to oversee the management of the Company. The Chairman does not serve concurrently as an Executive Officer and is not involved in the day-to-day execution of the Company's business operations.

Executive Officers are responsible for the execution of the Company's business operations as delegated by the Board of Directors. By delegating substantial authority to Executive Officers, the Company is working to accelerate business execution and business execution-related decision-making. In line with this, the Company is working to strengthen corporate governance on the execution side through such measures as reinforcing the Company-wide risk management system centered on the Chief Risk & Compliance Officer (CRCO), improving the quality of decision-making by establishing the Executive Committee, which is the highest level deliberative body on the execution side, as well as other committees which work in tandem with the Executive Committee, and enhancing the internal audit function led by the Chief Audit Officer (CAO).

For information on the Company's corporate governance system, initiatives, and achievements, please visit the website below to view the Corporate Governance Report.
https://www.nec.com/en/global/about/pdf/nec_governance.pdf



Oversight Function

Board of Directors

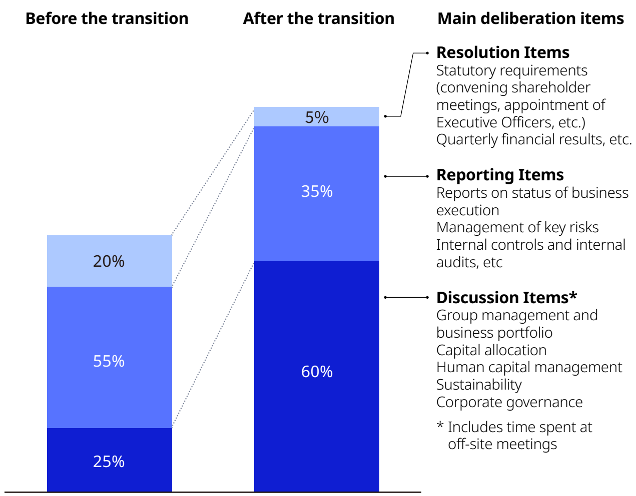
The Board of Directors is responsible for guiding the direction of management through deliberation of important matters related to the Company's basic management policy and for overseeing the execution of duties by Executive Officers.

Deliberation of Important Matters Related to the Basic Management Policy

1. Formulation of medium- to long-term strategies / mid-term management plan policies
2. Formulation of governance system / decision-making process policies
3. Capital policy
4. Formulation of policies for the business portfolio
5. Large-scale M&A and large-scale investments
6. Measures to increase corporate value based on the NEC Way

The frequency of meetings of the Board of Directors is, in principle, six times a year (extraordinary meetings of the Board of Directors are held as necessary). This is achieved by enhancing discussions on management agendas aimed at increasing medium- to long-term corporate value, with a focus on important agenda items, as well as improving operational efficiency by systematically submitting proposals based on annual deliberation plans. In addition, all-day off-site meetings are held as an intensive discussion forum separate from Board of Directors meetings. These meetings aim to deepen discussions on each item on the agenda at the Board of Directors meetings by holding wide-ranging and open discussions on important agendas, such as the medium- to long-term strategy and strengthening governance.

Change in Deliberation Time from Before to After the Transition to a Company with a Nominating Committee, etc.



Fiscal 2025 Main Agenda Items and Discussion Details

Nine meetings held (six scheduled meetings and three extraordinary meetings) with an attendance rate of 100%

With the exception of special circumstances, each Director aims to have at least 75% attendance at meetings of the Board of Directors in a single fiscal year.

Deliberation of Important Matters Related to the Basic Management Policy

- Policies and assumptions for the medium- to long-term strategies following Mid-term Management Plan 2025
- Group management and business portfolio (listed subsidiary policy, M&A strategy, and overseas business structure, etc.)
- Capital allocation (growth investments and return to shareholders)
- Human capital management (job-based human resource management strategies and measures based thereon, etc.)
- Corporate governance (policies and progress of corporate governance reform, and Board of Directors effectiveness evaluations, etc.)

Matters Related to Oversight of the Execution of Duties

- Progress of the Mid-term Management Plan 2025 and budget
- Internal audit plan, audit results, and status of development and operation of internal control system
- Status of activities of the Nominating Committee, the Compensation Committee, and the Audit Committee

Nominating Committee

Three Independent Directors
(including the committee chairperson)
One Inside Director

The Nominating Committee deliberates, from the perspective of objectivity, fairness, and transparency, on matters concerning nomination of the Company's Officers and the succession plan for the CEO including support for managerial talent development, as well as on the contents of proposals to be submitted to the General Meeting of Shareholders concerning the election or dismissal of Directors.

Fiscal 2025 Main Agenda Items and Discussion Details

Six meetings held with an attendance rate of 100%

To improve the Company's medium- to long-term corporate value, the Nominating Committee mainly deliberated on and established policies to strengthen (1) the Board structure aimed at further strengthening the monitoring function of the Board of Directors and (2) the operation of the CEO succession plan, etc.

(1) Board Structure Aimed at Further Strengthening Monitoring Function of the Board of Directors

While ensuring that each Director has diverse work experience, specialized fields, nationality, country of origin or cultural background, gender, etc., the Company will establish a compact structure for the Board of Directors that is necessary and sufficient for discussions of the management strategy, etc.

In addition, the reappointment or retirement of Outside Directors will be determined based on the results of peer reviews conducted as part of the effectiveness evaluation of the Board of Directors and each committee. The number of reappointments will not exceed eight terms.

Due to the shift to a Board of Directors' monitoring model, the number of inside Directors will be set at minimum mainly having the CEO.

(2) Operation of the CEO Succession Plan

To ensure the continuous and fair appointment of a CEO who will lead the sustainable growth of the Company's value globally, the Nominating Committee and the CEO will work together to implement a CEO succession plan while ensuring objectivity and clarity.

<Roles of the Nominating Committee and the CEO>

- The Nominating Committee will determine the appropriate timing for the replacement of the CEO and identify candidates for the next CEO. At the same time, the CEO will support the development of the next generation of managerial talent.
- The CEO develops candidates for the next CEO and proposes candidates for the next CEO to the Nominating Committee.

<Term of office and appointment / dismissal process of CEO>

- There is no term of office for the CEO. Instead, an evaluation review of the CEO is conducted every year, and the Nominating Committee decides on reappointment or retirement of the CEO based on the CEO's intentions, business performance, 360-degree evaluations of the CEO, and the status of development of candidates for the next CEO.
- The Nominating Committee will select the next CEO in consideration of the mid-term management plan, management policies and business environment by assessing the qualities and character of the candidate for the next CEO proposed by the CEO from the requirements for the next CEO.

Compensation Committee

Three Independent Directors
(including the committee chairperson)
One Inside Director

The Compensation Committee deliberates, from the perspective of objectivity, fairness, and transparency, on matters concerning the remuneration of the Company's Directors and Executive Officers, including the formulation of policies on remuneration, etc., for Directors and Executive Officers and the determination of the details of remuneration, etc., for each individual Director and Executive Officer.

Fiscal 2025 Main Agenda Items and Discussion Details

Nine meetings held with an attendance rate of 100%

The Compensation Committee mainly deliberated on the consideration of the direction of a remuneration system that provides incentives to realize medium- to long-term global competitive advantages, the expansion of the stock compensation system to strengthen management that is conscious of corporate value, the determination of individual remuneration amount, the operation of a remuneration plan and the monitoring of the current remuneration system, etc.

With regard to the direction of the remuneration system, the Company aims to provide remuneration at competitive and superior levels and composition to match its business growth. In particular, the ratio of stock compensation will be increased to ensure that all Directors and officers remain conscious of corporate value.

For details on the stock compensation system, please refer to "Remuneration for Directors and Executive Officers" on page 41.

Audit Committee

Five Independent Directors
(including two persons with considerable knowledge of finance and accounting)

The Audit Committee audits the execution of duties by Executive Officers and Directors. It periodically reports the audit plan and audit results to the Board of Directors, and makes recommendations based on the audit results to the President. In principle, the committee holds regular meetings once a month and extraordinary meetings as necessary.

Fiscal 2025 Main Activities

15 meetings held with an attendance rate of 100%

With a view of transition toward organizational auditing system, the Company set the basic audit policy of the Audit Committee to ensure further transparency in the governance system on the executive side and to confirm the status of sophisticated internal audits through confirming the corporate governance system (including internal control); expanding the scope of reliance on the internal auditing division; and strengthening the three-way audit system (the Audit Committee, the internal auditing division and the Accounting Auditors).

The Audit Committee received reports from major Chief Officers in charge of corporate functions on key issues and initiatives related to their areas of responsibility, in order to confirm the sufficiency and appropriateness of internal control and risk management in particular in addition to statutory resolutions.

For more details, please visit the website below to view Corporate Governance Report.
https://www.nec.com/en/global/about/pdf/nec_governance.pdf

Evaluation of the Effectiveness of the Board of Directors

The Company conducts an evaluation and verification of the effectiveness of the Board of Directors and each committee every fiscal year, in order to improve the effectiveness of the Board of Directors.

In fiscal 2025, a third-party evaluation organization was appointed to evaluate the effectiveness and further improvements were recognized in the three priority items addressed following the fiscal 2024 evaluation. Building on these outcomes, in fiscal 2026 the Company will focus on the following three items that were pointed out as issues needing continued consideration.

Priority Initiatives for Fiscal 2025	Summary of Results	Priority Initiatives for Fiscal 2026
Upgrade the operation of the Board of Directors Agenda setting focusing on important matters as well as review of materials and advance explanations to enhance discussions in each agenda item, etc.	By setting agendas focused on important issues, the frequency of regular Board of Directors meetings was revised to six times a year, and two all-day intensive off-site meetings were held in addition to Board of Directors meetings to deepen understanding of important issues and enrich discussions within the Board. In addition, improvements were made in operations and efficiency, such as clarifying the treatment of advanced explanations to Outside Directors.	**Further upgrade the operation of the Board of Directors** • Further enhance discussions on important issues related to the next mid-term management plan • Deepen mutual understanding by expanding communication opportunities between Directors and Executive Officers, and thereby further enhancing the content of discussions in the Board of Directors meetings
Clarification of committee functions Clarification of the roles and functions of each committee, as well as items and processes to be deliberated, etc.	Discussions were held on the roles and functions of each committee and on future policies and matters to be discussed, and processes were clarified. The Nominating Committee held in-depth discussions on policies for the CEO succession plan, while the Compensation Committee held in-depth discussions on the ideal form of the remuneration plan as an incentive to increase corporate value, and the details of these discussions were disclosed in February 2025. The Audit Committee further strengthened collaboration with the internal auditing division with the aim of transitioning to an organizational audit system.	**Enhancement of committee functions** • Further improve deliberation items and the deliberation process in accordance with the roles and policies of each committee • Strengthen collaboration between the Board of Directors and each committee, including a review of the content and timing of reports by each committee to the Board of Directors
Strengthening the support system for Directors Strengthening of the secretariat system, streamlining of operations across the Board of Directors and committees, enhancement of the onboarding program at the time of appointment, etc.	The efficiency and sophistication of operations were promoted by having the Corporate Governance Office assume the functions of secretariat for the Board of Directors and each committee in an integrated manner. Support for Outside Directors was improved by enhancing the onboarding program when Directors are newly appointed.	**Fostering a board culture** • Foster a board culture by further enhancing opportunities for communication between Directors • Deepen discussions and create a common understanding of the ideal corporate governance in the Company and the specific roles of the Board of Directors in it

Execution Function

The Company promotes accelerated decision-making and business execution by delegating substantial authority to Executive Officers. The Company has introduced Chief Officers to implement Group-wide strategies. Under the direction of the President, each Chief Officer is working to establish and operate the optimal management infrastructure for NEC in the key Group-wide functional areas for which they are responsible.

The Company has established the Executive Committee, which is the highest-level deliberative body on the execution side, as well as other committees which work in tandem with the Executive Committee in order to ensure high-quality decision-making in terms of both opportunities and risks. The Executive Committee, consisting of Executive Officers, including Presidents of each business unit and Chief Officers, deliberates on important matters related to the management of NEC, such as management policies and strategies, and examines important business execution matters. The Committees working in tandem with the Executive Committee conduct deliberations, etc., on their respective responsibilities in accordance with their roles and authorities (as shown in the chart).

The Group Internal Audit Division conducts audits to ensure legal, appropriate, and efficient business execution, identifies problem areas, and makes recommendations for improvement by identifying issues.

Name of Deliberative Body	Summary of Respective Responsibilities
Budget Progress Committee	Progress management regarding the annual budget
Financial Strategy Committee	Multifaceted review of financial strategies
Business Strategy Committee	Discussion of business strategies and sharing of important matters
Investment Committee	Multifaceted review of investments and loans
Critical Contract Risk Assessment Council	Multifaceted review of important business contracts, etc., in order to reduce risk
Risk Control and Compliance Committee	Multifaceted review of Company-wide risk management and compliance

Remuneration for Directors and Executive Officers

In accordance with the basic policy on the remuneration of Directors and Executive Officers, the Company has established a remuneration system that will lead to the sustainable growth of corporate value. To further enhance the sharing of value with shareholders and heighten awareness of the need to sustainably increase corporate value, the Company introduced a stock compensation system for Outside Directors in June 2025. In order to strengthen the sharing of value with shareholders and to secure excellent human resources to take on management roles, in addition to the current performance-based stock compensation, a new non-performance-based stock compensation was introduced from April 2025 for Corporate Senior Vice President and above, including Executive Officers and others,* and the ratio of stock compensation will be increased.

Remuneration for Directors consists of basic remuneration and medium- to long-term incentive (stock compensation). The approximate ratio of the amount of basic remuneration and stock compensation for Outside Directors is 3 : 1. In addition, for Inside Directors (excluding Directors concurrently serving as Executive Officer), stock compensation will be paid up to a maximum of approximately 30% of their total remuneration.

Remuneration for Executive Officers consists of basic remuneration, short-term incentive (bonuses), and medium- to long-term incentive (performance-linked stock compensation and non-performance-linked stock compensation). The level of remuneration and the composition ratio of each type of remuneration shall be determined in accordance with the responsibilities of each Executive Officer, taking into consideration the remuneration at competing companies, etc. For the CEO, the ratio is set approximately at 1 : 1 : 1.4.

For Directors who concurrently serve as Executive Officers, the remuneration system for Executive Officers shall apply.

* The remuneration structure for Executive Officers also applies to Corporate SEVPs, Corporate EVPs, and Corporate SVPs, etc.

Basic Policy on the Remuneration of Directors and Executive Officers

1. The remuneration system is highly objective and transparent, with content which leads to sustainable growth with the aim of maximizing corporate value, and which allows shareholders to confirm that management is linked to shareholder value.
2. The remuneration system is linked to the mid-term management plan target indicators and provides incentives for Executive Officers to achieve the management targets indicated in the mid-term management plan.
3. As a technology company with global operations, the remuneration system is competitive in the human resources market in terms of both remuneration structure and level.

For more details on the remuneration for Directors and Executive Officers for fiscal 2025, please visit the website below to view the Corporate Governance Report.
https://www.nec.com/en/global/about/pdf/nec_governance.pdf

Compensation System for Executive Officers

Remuneration type	Basic remuneration	Short-term incentive (bonuses): Group-wide performance-based component	Short-term incentive (bonuses): Department performance-based component	Medium- to long-term incentive (stock compensation)	
	Fixed remuneration	Performance-based remuneration		Performance-based remuneration	Non-performance-based remuneration
Payment method	Monetary remuneration	Monetary remuneration		Non-monetary remuneration	
Evaluation period/ Target period	—	One year		Three years	
Calculation method and indicators for determining remuneration amounts, etc.	Amount is determined based on market competitiveness in accordance with the role, authority, and responsibility of each job title For Executive Officers, basic remuneration increases or decreases based on performance, and the performance indicators include non-financial indicators such as practical implementation of the NEC Way and our materiality.	Linked to the degree of achieving targets of KPIs set in the mid-term management plan for each fiscal year Indicator responsible for the "Strategy" aspect of Mid-term Management Plan 2025 EBITDA (amount) ······ 50% EBITDA (percentage to revenue) ······ 30% ESG indicator responsible for the "Culture" aspect of Mid-term Management Plan 2025 Employee engagement score ······ 20%	Linked to the degree of achieving targets of the departments for which each Executive Officer is responsible for each fiscal year Efforts to achieve adjusted operating profit, ROIC, and cash flow targets and the initiatives to achieve the mid-term management plan	The number of shares is determined in a range from 0% to 150% of the number of shares granted by job title, in accordance with the results of a comparison of the Company's total shareholder return (TSR) with indices such as the Tokyo Stock Price Index (TOPIX) and peer group companies. Shares to be granted = Number of shares granted by job title × TSR growth rate [Index comparison (50%) + Peer group comparison (50%)]	The number of shares is calculated by dividing the standard amount of stock compensation by job title by the average value of the closing price of the Company share on the Tokyo Stock Exchange in the previous fiscal year.
		The amount is set between 0% and 200% of the standard amount for each job title, based on the achievement level of performance targets. Amount of bonus = Group-wide performance-based component (Group-wide standard amount × Group-wide evaluation) + Department performance-based component (Department standard amount × Department evaluation)			

Risk Management

Overview of Risk Management System

NEC has a Company-wide cross-sectional risk management system centered on the Risk Control and Compliance Committee and CRCO, to accurately comprehend and to respond appropriately to both internal and external risks related to NEC's businesses.

In the Company, important matters related to Company-wide risk management, including a risk management policy and selection of and response policies to "Priority Risks" that requires countermeasures across NEC, as well as measures to address risks that require Company-wide management in response to changes in risk environment during the fiscal year, are discussed at the Risk Control and Compliance Committee and then reported to the Business Strategy Committee and the Board of Directors on a regular basis.

The Company has the CRCO to monitor and address Company-wide risks centrally and cross-functionally and manage possibilities to make losses. The CRCO takes a lead in Company-wide risk management by detecting and analyzing risks that are diversifying and becoming more complex in constantly changing social and business environment, and evaluating impacts, while prioritizing countermeasures and closely collaborating with other chief officers in charge of each risk.

Risk Management Policies

NEC refers to the Enterprise Risk Management–Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and ISO 31000, which is an international standard that provides principles and guidelines for risk management. On this basis, in order to pursue returns through appropriate risk management, NEC has categorized the risks associated with its businesses into a Risk Total Picture (as shown in the chart below) and has decided on responsible divisions and response policies for each risk. In the Risk Total Picture, integrity is recognized as the foundation of all risk management activities and risks are classified into three categories according to their nature. The Company has developed a response flow in case such risk should materialize, especially in the event of a crisis that threatens the existence of the Company.

Based on a comprehensive list of risks that NEC should be aware of, the CRCO engages in dialogue with other Chief Officers in charge of managing each risk and conducts risk assessments. The CRCO creates a risk map that visualizes risk priorities by evaluating impact on five levels and urgency on three levels, taking into consideration changes in the external and internal environment and the status of each risk countermeasure. The CRCO updates the risk map through the review of the Risk Control and Compliance Committee on a quarterly basis, and regularly reports to the Business Strategy Committee and the Board of Directors.

For details on the risk map, the risks the Company has deemed to be particularly important, and the countermeasures to be taken, please see the website below.
https://www.nec.com/en/global/ir/corporate/risk.html

Risk Total Picture

Common Value	**Integrity**		
Type of Risks	**Compliance** Adhering rules	**Conduct** What we should do in line with social acceptance	**Business** Appropriate risk taking to appropriate profit
Example of Risks	**Laws, Regulations**	**Human rights, Economic security, Moral**	**Strategy, Appropriate targets and plans**
Measures	Follow laws and rules	Decided what we should do across NEC group	Appropriate risk taking to obtain efficient profit
Impact Range	**Reputational**		**Economic**
Inadequate	**Crisis**		